

REMARKS

By virtue of the instant Response and Amendment, claims 46-59 and 63-137 are pending. Claims 60-62 have been canceled, claims 46, 50, 51, 53, 57- 59, 63, and 64 have been amended, and new claims 65-137 have been added. No new matter has been introduced. Reexamination and reconsideration of the application are respectfully requested.

The Applicants express their deep gratitude and appreciation to the Examiner for providing suggestions for overcoming the rejections included in the Office Action dated October 24, 2003, as well as for the interview held on March 29, 2004. It is noted that, although certain of the rejections are traversed in the instant Response and Amendment, in order to advance prosecution of the case, the Applicants have: (1) amended claims 51, 53, 63, and 64 to overcome the objections to these otherwise-allowable claims; and (2) added new claims 70-137, which are believed to address and overcome all of the Examiner's rejections/objections and, as such, are believed to be in condition for allowance (claims 65-69 are addressed immediately below).

In the Office Action dated October 24, 2003, the Examiner rejected claims 60-64 under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. In response, claims 60-62, which were directed to a system in accordance with the present invention, have been cancelled, and new claims 65-69 have been added in their place. As will be discussed more fully below, in accordance with the Examiner's requirement, each one of new independent claims 65, 70, 75, 80, and 84 now recites a computer processing system having instructions for calculating premium and benefit amounts based on information input into the computer system in connection with a participant's pre-

disability contribution amount. As such, it is respectfully submitted that the rejection under 35 U.S.C. 112, second paragraph has been overcome, i.e., the rejection is not applicable to new claims 65-87. The Applicants therefore respectfully request that this rejection be withdrawn.

The Examiner also rejected claims 46-59 under 35 U.S.C. 101 as lacking "patentable utility". More specifically, the Examiner rejected claim 46 for lacking "physical elements", stating that claims 47-59, which depend from claim 46, did not require further correction. In response, as suggested by the Examiner, claim 46 has been amended herein to recite a computer processing system for calculating premium and benefit amounts based on information input into the computer system in connection with a participant's pre-disability contribution amount. As such, it is respectfully submitted that the rejection under 35 U.S.C. 101 has been overcome, and the Applicants therefore respectfully request that this rejection be withdrawn.

Similarly, each one of new independent claims 88, 96, 104, 114, 124, and 131 now recites a computer processing system for calculating premium and benefit amounts based on information input into the computer system in connection with a participant's pre-disability contribution amount. As such, it is respectfully submitted that the rejection under 35 U.S.C. 101 is not applicable to new claims 88-137.

The Examiner also objected to claims 51, 53, 63, and 64 as being dependent upon a rejected base claim, but indicated that these claims would be allowable if rewritten in independent form including all of the limitations of the base claim and any intervening claims. Accordingly, claims 51, 53, 63, and 64 have been amended herein. Specifically, amended claims 51, 53, 63, and 64 have been rewritten in independent form, including all of the limitations of the base claim and any

intervening claims, and including applicable limitations that overcome the above-mentioned 35 U.S.C. 112/35 U.S.C. 101 rejections. As such, it is respectfully submitted that claims 51, 53, 63, and 64, as amended herein, are in condition for allowance.

It is noted that the language relating to the “matching of eligibility” in claim 51 (as well as other claims that include similar language) has been amended as suggested by the Examiner during the interview of March 29th in order to clarify the subject matter being claimed. In addition, as discussed during the interview, in connection with claim 53 (as well as other claims that recite meeting non-discrimination requirements by linking premiums and benefits to contributions), “the invention provides a way to establish that the coverage amount is non-discriminatory because it is linked to contributions that must be demonstrated as non-discriminatory under 401(k)/(m).” *See* specification, p. 15, lines 26-28. In this regard, please also see, e.g., p. 16, lines 25 – p. 17, line 28 of the specification.

As has been mentioned, new system claims 70-87 and new method claims 88-137 have been added herein. Within this group of new claims, the independent claims, i.e., claims 70, 75, 80, 84, 88, 96, 104, 114, 124, and 131 track the subject matter of claims 51, 53, 63, and 64, which, as noted in the immediately-preceding paragraph, have already been deemed to be allowable by the Examiner.

More specifically, new claims 80, 88, and 96 are similar to claim 51, as amended; new claims 84, 104, and 114 are similar to claim 53, as amended; new claims 70 and 124 are similar to claim 63, as amended; and new claims 75 and 131 are similar to claim 64, as amended. In addition, all of the new claims depending from new independent claims 70, 75, 80, 84, 88, 96, 104, 114, 124, and 131 derive from the original dependent claims 47-59 and 61-64. Therefore, given that the 35 U.S.C. 101

and 35 U.S.C. 112 rejections discussed above are not applicable to new claims 70-137, and given that no new matter has been introduced, and that new independent claims 70, 75, 80, 84, 88, 96, 104, 114, 124, and 131 recite similar limitations to those of claims that are deemed to be allowable, it is respectfully submitted that claims 70-137 are in condition for allowance.

In the Office Action dated October 24, 2003, the Examiner also rejected claims 46-50, 52, and 54-62 under 35 U.S.C. 102(e) as being anticipated by U.S. Patent No. 6,235,176 to Schoen et al. (hereinafter referred to as the “176 patent”). These rejections are respectfully traversed.

As a summary, the present invention relates to a system and method for insuring against loss of retirement benefits and, more specifically, for providing insurance protection against loss of contributions to tax-favored defined contribution plan accounts, as well as other types of retirement accounts, in the event of a plan participant's disability. The invention complies with the restrictions imposed by the Internal Revenue Code (IRC) by including disability insurance as a feature of the plan. A disability insurance policy is held as an investment of the plan's trust, insurance premiums are paid from the assets of the plan's trust, and benefits paid during a period of disability are received into the plan's trust. Thus, by structuring the insurance as a “benefit, right, or feature” of the plan (as defined by the IRC), the amount of insurance coverage available to each participant may be substantially equal to the participant's level of contributions to any kind of tax-qualified plan, including 401(k) plans.

More specifically, the invention includes a method and system for insuring contributions to a defined contribution retirement plan against loss due to long term disability in a manner that allows the insurance to match the exact loss, with regard to amount (i.e., the insurance benefit is

substantially equal to the pre-disability contribution level), with regard to payment (i.e., the insurance benefit is paid into the plan trust), and with regard to taxation (i.e., the premium is pre-tax and the benefit is tax deferred until withdrawn) by including disability insurance as a feature of the plan subject to the plan's non-discrimination rules and regulations, and holding the disability policy as an asset of the plan's trust, so that trust assets are invested as premiums and beneficiary payments are received as investment returns.

An important feature of the instant invention is its ability to match the exact amount of the loss, i.e., to provide an insurance benefit that is substantially equal to the pre-disability contribution level. In this regard, it is also important to note that the instant invention is applicable to both "highly-paid", as well as "non-highly paid" executives. Heretofore, no method and system have been devised, whereby both highly-compensated and non-highly-compensated employees are able to have their contributions matched. In short, no single system or methodology has had the ability to comply with the applicable non-discrimination requirements for both types of employees. To this end, the specification of the instant application discusses, at some length, the prior art relating to this issue, including the shortcomings of the prior art in attempting to match pre-disability contributions for all employees. *See, e.g., p. 7, line 8 – p. 8, line 23.*

The instant invention avoids the shortcomings of the prior art by placing a stand-alone Long Term Disability (LTD) policy into the retirement plan. Thus, a disability insurance policy is purchased with funds of an investment account, i.e., the insurance policy is an investment of the trust assets. As such, benefit payments are considered investment returns, which are not required to be treated differently for highly-compensated, as opposed to non-highly-compensated, employees. *See, e.g., specification, p. 15, lines 18 – 25.*

This is made possible by ensuring that the disability insurance is a feature of the plan, and subject to the plan's non-discrimination rules and regulations. As explained in the specification, this means that the "insurance covering plan contributions must be included as a plan feature in the retirement plan document and the conditions for receiving disability coverage must be set forth in both the plan document and the Summary Plan Description (SPD)." See specification, p. 20, lines 2-4. (Emphases added).

The specification, at p. 14, lines 4-12, also provides that:

Tax law states that no other employee benefit program may have benefits based on the employee's deferral election under the 401(k) plan. To do so would disqualify the 'elective' nature of these contributions. By structuring the insurance as a feature of the plan, the amount of insurance coverage available to each insured may be exactly equal to his/her level of elective contributions in the 401(k) plan. This allows each person's exact loss to be insured, and it is consistent with the nature of a 401(k) plan that allows each employee to invest according to his/her individual retirement goals. (Emphasis added).

On page 3 of the Office Action, the Examiner cites col. 4, lines 61-63 and col. 9, lines 21-24 of the '176 patent for the proposition that "the disability insurance policy is a feature of the retirement plan trust and an asset of that trust . . .". See Office Action, p. 3. (Emphasis added). However, as is clear from amended claim 46, the requirement that the insurance policy be a feature of the retirement plan is a separate and distinct limitation from the requirement that the insurance policy be held as an asset of the plan's trust. Again, as discussed with reference to the specification, the first limitation requires, *inter alia*, that the insurance policy be included as a plan feature in the retirement plan document. With this in mind, even if the '176 patent did, *arguendo*, disclose holding of the insurance policy as an asset of the plan's trust, there is no disclosure or teaching in the above-

noted cited sections of the '176 patent of including the insurance policy as a feature of the retirement plan.

Similarly, as indicated in the specification, “[i]f the insurance policy is a ‘feature’ of the retirement plan . . . , it becomes subject to all of the compliance requirements of the plan.” *See* specification, p. 20, lines 10-11. Accordingly, claim 47 recites, *inter alia*, that the insurance policy is subjected to “the terms of said defined contribution plan, including rules and regulations of the Internal Revenue Service (IRS) and the Department of Labor (DOL) to which the defined contribution plan itself is subject”. Similarly, claim 48 recites, *inter alia*, that the insurance policy is subjected to “the terms of said 401(k) plan, including the IRS and DOL rules and regulations to which the 401(k) plan itself is subject”.

In rejecting claims 47 and 48, however, the Examiner cites to col. 7, lines 3-24 of the '176 patent, noting that the cited passage “states that the plan is intended to comply with the Section 401 Regulations.” *See* Office Action, p. 4. (Emphasis added). While the Examiner’s statement is certainly true, and the plan is certainly intended to, as it must, comply with the Section 401 Regulations, there is no mention, teaching, or suggestion that the insurance policy is now subject to the same rules and regulations. Again, this is a consequence of the lack of any disclosure in the cited sections with regards to inclusion of the insurance policy as a feature of the retirement plan.

In light of the above, it is respectfully submitted that claim 46, as well as claims 47-50, 52, and 54 - 59, which depend either directly or indirectly from claim 46, distinguish over the '176 patent for at least the reasons discussed above. As such, it is respectfully submitted that claims 46-50, 52, and 54 - 59 are in condition for allowance. Similarly, new claim 65 includes similar

limitations to those of claim 46. As such, it is respectfully submitted that claim 65, as well as claims 66-69, which depend either directly or indirectly from claim 65, also distinguish over the '176 patent and are, therefore, in condition for allowance.

Additional grounds for distinguishing dependent claims 47-50, 52, 54-59, and 66-69 over the '176 patent also exist. Thus, for example, as noted above, contrary to the requirement in claims 47 and 48, there is no mention, teaching, or suggestion in the '176 patent of the insurance policy being subject to the same rules and regulations as those to which the plan itself is subject.

Similarly, with respect to claims 57-59 and 67, the specification provides, under the section entitled "VARIATIONS OF THE METHODOLOGY – Premiums Paid As Plan Expense", that:

Defined Contribution Plans are allowed under regulations provided by the IRS and the Department of Labor (DOL) to pay certain plan expenses from plan assets. Plan expenses must be related directly to the administration of the plan itself. Generally, such expenses are netted out of investment earnings and are not itemized on the participant statements. . . .

If approved by the IRS and the DOL, disability insurance as an inherent feature of the plan could be charged against earnings as a plan expense. . . . The insurer would calculate the premium rate and establish the total annual premium for the plan by projecting total plan year contributions, terminations through the remainder of the year and termination for the next year, and possible adjustments due to discrimination tests, etc. See specification, p. 32, line 14 – p. 33, line 17. (Emphases added).

Thus, when allocated as a plan expense, the total annual premium is first deducted from the plan earnings prior to allocation of the (net) earnings to individual accounts of plan participants. That is, the premium is not paid from each plan participant's account on an account-by-account basis. With this in mind, although the '176 patent discloses payment of insurance premiums, contrary to the requirements of the limitations set forth in claims 57-59 and 67, it does not disclose, teach, or suggest calculation, allocation, and/or payment of the total annual premium as a plan

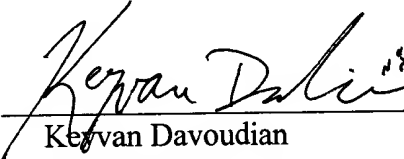
expense. Therefore, it is respectfully submitted that, for this additional reason, claims 57-59 and 67 distinguish over the '176 patent and, as such, are in condition for allowance.

Applicants believe that claims 46 – 59 and 63 – 137, as amended herein, are in condition for allowance, and a favorable action is respectfully requested. If, for any reason, the Examiner finds the application other than in condition for allowance, the Examiner is requested to call the undersigned attorney at the Los Angeles telephone number (213) 488-7100 to discuss the steps necessary for placing the application in condition for allowance.

Respectfully submitted,

PILLSBURY WINTHROP LLP

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By: 
Kevan Davoudian
Registration No. 47,520
Attorney For Applicant(s)

725 South Figueroa Street, Suite 2800
Los Angeles, CA 90017-5406
Telephone: (213) 488-7100
Facsimile: (213) 629-1033